

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/19/2012
POSITION: Neutral

BILL NUMBER: SB 1405
AUTHOR: De Leon, Kevin

BILL SUMMARY: Accountancy: military service: inactive status.

This bill would authorize certified public accountants (CPAs) and public accountants (PAs) to apply to the Board of Accountancy (Board) to have their permits placed in a military inactive status while engaged in active duty as a member of the California National Guard or the United States Armed Forces, prevent a person on military inactive status from engaging in the practice of public accounting, and eliminate the notification and fee associated with a licensed out-of-state accountant practicing within California, as specified.

FISCAL SUMMARY

The costs and revenues associated with creating an inactive status for licensees on active military duty are expected to be minor and absorbable from within existing resources.

This bill would result in the elimination of one Office Assistant position that is responsible for the processing of the notifications related to out-of-state accountants practicing within California. This would result in an annual savings of \$54,000 to the Accountancy Fund. By eliminating the out-of-state practice privilege fee, the Board estimates that this bill would result in an annual reduction of revenues of \$180,000 to the Accountancy Fund. The Accountancy Fund has sufficient resources to absorb the loss of these revenues.

Any local government costs resulting from the mandate in this measure would not be state-reimbursable because the mandate only involves the definition of a crime or the penalty for conviction of a crime.

COMMENTS

The Department of Finance is neutral on this bill. This bill would allow CPAs and PAs to place their license on inactive status without penalty when they are on active military duty and unable to practice public accounting and allow out-of-state certified accountants to practice within California without providing a notice or paying a fee to the Board for a practice privilege. This bill would bring California law into alignment with the laws of 48 other states which allow out-of-state licensees to practice across state borders without first filing a form and paying a fee.

Current law:

- Licenses and regulates CPAs and PAs by the Board.
- Establishes fees for renewal of a CPA license.
- Requires each licensee to complete specified continuing education requirements.
- Requires each CPA firm to undergo a peer review at least every three years.
- Authorizes any licensee whose license expired while he or she is on active military duty to reinstate his or her license without examination or penalty, as specified.

Analyst/Principal (0221) J.Carosone	Date	Program Budget Manager Lisa Ann Mangat	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

De Leon, Kevin

06/19/2012

SB 1405

COMMENTS (continued)

- Authorizes an individual whose primary address is not in California, but has a valid and current license, certificate, or permit, to practice public accounting from another state as well as engage in the practice of public accountancy in this state under a practice privilege.
- Requires out-of-state accountants to provide notice to the Board and to pay a \$100 fee in order to obtain a practice privilege.
- Specifies that practice privileges expire in one year and the Board has the authority to deny practice privileges.

This bill would:

- Authorize, beginning January 1, 2014, a CPA or PA to apply to have his or her license placed on a military inactive status if the licensee is engaged in active military duty as a member of the California National Guard or the United States Armed Forces, as specified.
- Allow, beginning July 1, 2013 and ending July 1, 2019, qualified out-of-state accountants to obtain a practice privilege in California without notifying the Board or paying a fee.
- Allow qualified out-of-state accountants to perform specified services only through a firm of Certified Public Accountants that has obtained a registration from the Board.
- Specify criteria under which a qualified out-of-state accountant must cease practice within California.
- Specify criteria under which the Board has the authority to revoke a practice privilege.
- Require the Board to add features to its website to allow consumers to obtain information about individuals operating under a practice privilege.
- Authorize the Board to require a file notice and fee in specified circumstances.
- Require the Board to report to the Legislature on the impact of these provisions.

This bill is part of a nationwide effort to allow accountants to practice accounting across state borders without filing a form and paying a fee. Accountants often have clients with business or personal interests that span across state borders. Currently, 48 states have enacted similar legislation.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)				
	LA	(Dollars in Thousands)				
	CO	PROP				
	RV	98	FC	2012-2013 FC	2013-2014 FC	Fund
						Code
1110/ConAfr-ReqBd	SO	No	B	-- B	-54 B	-54 0704
1200/Reg Tax&Licn	RV	No	P	-- P	-180 P	-180 0704
8885/Comm St Mndt	LA	No		----- See Fiscal Summary -----		0001
<u>Fund Code</u>			<u>Title</u>			
0001			General Fund			
0704			Accountancy Fund			